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RELEASE IN FULL

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POLITICAL

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(SBU) Khodorkovsky Arrives in Germany Following Former FM Genscher's Mediation:

- On December 20, recently pardoned **Mikhail Khodorkovsky** arrived in Berlin.

Reportedly, former FM Genscher (FDP) helped organize Khodorkovsky's release and immediate transport to Berlin on a German-owned private jet. In a December 22 press conference, Khodorkovsky expressly thanked Chancellor Merkel and Genscher for their mediation efforts and announced that he would not return to business or go into politics. Instead, he said, he would "repay his debt to those still in prison," and urged western officials not to forget the plight of political prisoners. In the same vein, he called for Yulia Tymoshenko's release. Khodorkovsky further spoke out against boycotting the Sochi games. Khodorkovsky holds a one-year visa for Germany, but did not state whether he would stay here, proceed elsewhere, or return to Russia. He met his parents and his son Pavel in Berlin on December 21. (David J. Roesch) (PREL, GM, RU)

□ **German Reactions:** On December 20, the Chancellor welcomed Khodorkovsky's release and acknowledged Genscher's behind-the-scenes efforts. FM Steinmeier told *Tagesspiegel* December 22 that the pardon for Khodorkovsky and the amnesty law were "steps in the right direction," regardless of the underlying motivations, and added this move was "a sensible foundation" for further talks on modernization and the rule of law. Other Bundestag members were skeptical, with acting Commissioner for Inter-Societal Cooperation with Russia Andreas Schockenhoff (CDU) stressing that a pardon was no substitute for a fair trial. He added that there remained many other cases of selective justice in Russia. His rumored competitor for the position of Russia Commissioner in the MFA, the SPD's Gernot Erler, agreed that Khodorkovsky's release did not mark the beginning of liberalization in Russia, arguing instead that Putin wanted to boost his image ahead of the Sochi games. SPD Deputy Caucus Chairman for Foreign Affairs Rolf Muetzenich stated that if Khodorkovsky's release offered an opportunity to improve relations with Russia, that opportunity should be used. He also noted Russia's economic troubles and its need for cooperation with the West, and called for legal reform. (David J. Roesch) (PREL, GM, RU) [\(TOP\)](#)

(U) New Defense Minister Visits Afghanistan: On December 22, Defense Minister Ursula von der Leyen (CDU) arrived at Camp Marmal in Mazar-e Sharif for her first visit to German troops stationed in Afghanistan, which comes only five days after her appointment. Von der Leyen met COMISAF Gen. Dunford on December 22 and visited several German posts (Germany currently has approximately 3,100 troops deployed in Afghanistan, mostly near Mazar-e Sharif, making it Germany's largest deployment abroad.) Von der Leyen said she paid the soldiers a visit to "express my respect for their achievements" during the holiday season when people usually spend time with their families. She told ARD that "ISAF is coming to an end, but an enormous amount of achievements have been made here, which we want to secure. We want to finish what has been started." (David J. Roesch) (PREL, GM, AF) [\(TOP\)](#)

(U) Merkel at EU Council (Albania, Georgia, Moldova, Russia, Serbia, Syria, Ukraine): In a press conference after the December 19/20 European Council, Chancellor Merkel welcomed ongoing reforms but said that before possibly granting **Albania** candidate status at the June 2014 summit, the EU would await a Commission report on the implementation of reforms. As for **Serbia**, Merkel reiterated that a first accession conference would be held in January and noted the progress made in Serbia-Kosovo relations. Further, Merkel announced that the EU would be ready to sign Association Agreements with **Georgia** and **Moldova** "by the end of August at the

latest.” Turning to Ukraine, Merkel reaffirmed that the EU’s door remained open and that the Association Agreement can be signed, and underscored that **Ukraine** must be sovereign in its foreign policy decisions. Asked about Russia, the Chancellor reaffirmed that **Russia** “is and remains our strategic partner” and that Germany would stay in contact with it, but acknowledged “difficult issues” including Syria and the Eastern Partnership. Merkel further noted that Germany had “done its fair share” in **Syria**, having accepted 20,000 refugees and having made available humanitarian assistance. But Merkel stressed that more needed to be done, and called for a humanitarian corridor, arguing that while helping refugees was important, so is helping Syrians on the ground in Syria. (David J. Roesch) (PREL, GM, EUN, AL, GG, MD, UP, SY) [\(TOP\)](#)

(U) Greens and CDU Approve Hesse Coalition Agreement: Both the Hesse CDU and Hesse Greens approved the state’s coalition agreement on December 21. The CDU approved the agreement unanimously; 74% of participating Greens approved. Tarek Al-Wazir was confirmed by party members as Hesse’s future Deputy Minister President and Minister for Economy and Transportation; Priska Hinz will become the state Environment Minister. The CDU will name its ministers on January 14. The coalition agreement will be formally signed today and Minister President Bouffier will be formally reelected by the state parliament on January 18. Peter Tauber, new federal CDU Secretary General, told Hesse CDU delegates that Chancellor Merkel supported the coalition. The Greens also elected Daniela Wagner and Kai Klose as state party chairs; Wolfgang Strengmann-Kuhn will take over Priska Hinz’s seat in the Bundestag. (Comment: The first “Black-Green” coalition government in a large and economically strong state will likely have far-reaching impacts on Germany’s political landscape. Both coalition partners see it as a potential model to emulate in neighboring Rheinland-Pfalz and eventually even on the federal level; the CDU hopes it will show voters that a Black-Green coalition is a better option than Red-Green coalition, particularly in Baden-Württemberg.) (Kinka Gerke-Unger, ConGen Frankfurt) (PGOV) [\(TOP\)](#)

(U) Hundreds Injured at Demonstration against Eviction of Hamburg’s “Rote Flora” Cultural Center: On December 22, 120 police officers and 500 activists were injured in what was one of Hamburg’s most violent protests in years. Approximately 7,000 mainly far-left activists attended a protest against eviction plans of the squatted autonomous cultural center “Rote Flora” and quickly resorted to violence against the police. Violent protesters also damaged buildings, police cars, and a Social Democratic Party (SPD) office in the area. The police responded with baton charges, pepper spray and water cannon. Over 3,000 police officers from the whole country were deployed at the demonstration site and detained 21 activists. Regional SPD and CDU representatives condemned the demonstrators’ violence and praised the police efforts. The Greens and Die Linke criticized the “brutal methods” of the police. (Note: The Rote Flora center, a rallying point for leftist activists, was first occupied by squatters in 1989. Earlier this month, the owner of the building, a real estate agent, demanded the squatters to leave by December 20. According to media reports, the owner plans to turn the building into a modern cultural center and concert hall. End Note.) (Natalie Schnelle, ConGen Hamburg) (PGOV; PINS) [\(TOP\)](#)

(U) NRW State Parliament Promotes Immigrant Participation in Local Politics: The NRW Landtag has passed a law to further develop political participation and the interaction of local

immigrant representatives with city councils. The new law defines an integration council as the only organizational model equivalent to a city council. Representatives to integration councils are elected concurrently with local elections for regular city councils. The term “electorate” for this purpose has been broadened to include all citizens holding a foreign nationality, including Germans with dual citizenship. (Mechthild Hölker, ConGen Düsseldorf) (PGOV, PHUM) (TOP)

(U) Eurozone Update

- Chancellor Merkel and FinMin Schäuble **urged the European Parliament to quickly approve the agreement on a Single Resolution Mechanism (SRM)** as part of Europe’s banking union. Schäuble told reporters, “When we have a sufficient exchange of arguments, then the members of parliament will see that the arrangement that we have found is a good one.” He rejected complaints from EP President Schulz that the process is too complicated, saying, “When it needs to, it can operate quickly.” (Russell Singer) (EFIN)
- **Merkel rejected additional financing for the SRM in the interim period** before bank fees accumulate fully, according to press reports. “From the German side, we have again made it clear that during the build-up phase of the funds, either national sources or the European Stability Mechanism (ESM) in its current form must be enlisted. That means changes to the treaty of the ESM in this context will not be necessary.” This was accepted by other European leaders, according to Merkel. (Russell Singer) (EFIN)
- ECB Executive Board Member **Peter Praet said the ECB will ensure that credit supply constraints do not hinder the euro area’s on-going investment recovery.** Speaking to Italy’s *La Stampa*, Praet said that while SME funding remains an issue, **a new long-term refinancing operation (LTRO) is complicated** as the ECB cannot force banks to lend to the real economy when there is a demand side problem. The ECB also does not want liquidity injections to lead to excessive risk taking. Praet also said that the **parameters of upcoming bank stress tests have yet to be determined, but rejected a link between the OMT program and the stressing of sovereigns**. A stress test by definition stresses a bank’s entire portfolio, including sovereign debt, but is not meant to deal with “end of the world scenarios.” Praet also called on Italy to continue with reforms (particularly in the labor market) and improve the business environment to attract investment. He welcomed recent fiscal policy improvements but noted they have been overly reliant on tax increases rather than expenditure cuts. Bringing the Italy’s debt-to-GDP ratio down to 100% by 2025 requires a primary GDP surplus of 4.5% from 2016 onwards, which is “doable but will require effort and commitment.” Italy, Praet said, is the only country under sovereign stress “where labor cost competitiveness is not improving relative to the best performers of the euro area.” Praet also called the “difficulty of Italian society to work together and agree to long-term solutions” as particularly worrisome. (ConGen Frankfurt: Kinka Gerke-Unger)
- Bundesbank President **Weidmann said that the ECB should avoid situations in which central bank liquidity is used primarily to purchase government bonds.** Speaking to *Wirtschaftswoche*, Weidmann said he is “skeptical of the central bank being called on to fine-tune regional and sectoral lending” as this leads to central planning. Further liquidity injections, he said, are likely because not acting to counter the reduction in excess liquidity as a result of LTRO repayments implies a further increase in money market rates and an implicit tightening of the policy stance (which the ECB wants to forestall). Weidmann also said that the **ECB Governing Council has yet to agree on next steps**; he said he is skeptical of negative interest rates on deposits and cannot rule out banks passing on the cost of such a move to consumers. (ConGen Frankfurt: Kinka Gerke-Unger) (EFIN)

- An **ECB legal opinion says that proposed amendments to Cyprus' 2013 central bank law do not sufficiently protect the independence of the Central Bank of Cyprus.** The legal opinion also notes that a number of ECB observations were not taken into account and invites Cypriot authorities to address ECB concerns in the legislation. (COMMENT: The ECB has fought attempts by euro area governments to curtail central bank independence, a prerequisite of participation in the European System of Central Banks (ESCB). The ECB remains concerned about the situation in Hungary as well as Cyprus.) (ConGen Frankfurt: Kinka Gerke-Unger) ([TOP](#))

(U) Deutsche Bank Agrees to \$1.9 Billion Settlement with U.S. Federal Housing Finance Agency: The settlement with the U.S. Federal Housing Finance Agency (FHFA) is Deutsche Bank's largest ever. FHFA accused the bank of misleading Fannie Mae and Freddie Mac over the quality of €14.2 billion in mortgages that Deutsche sold to them between 2005 and 2007. The settlement represents 13.6% of the volume of mortgages sold. (ConGen Frankfurt: Kinka Gerke-Unger (EFIN) ([TOP](#)))

(U) Additional Allegations Against Deutsche Bank in Kirch Collapse Probe: German media report that new evidence has surfaced in the investigation of Deutsche Bank's role in the 2002 collapse of the Kirch Media Group. The evidence reportedly includes discussion among Deutsche executives about the break-up and sale of the ailing firm as a win-win situation for the bank. The documents also reportedly indicate that Deutsche tried to exert pressure on Kirch in advance of a 2002 Bloomberg interview in which former Deutsche CEO Breuer questioned the firm's creditworthiness. German media also report, however, that investigators have found evidence that the Kirch Group was insolvent prior to Breuer's statements. (COMMENT: Leo Kirch alleged that Deutsche Bank deliberately plotted to bring down his firm and filed a lawsuit that claimed the failure was due to the 2002 interview. The Kirch Group's downfall in 2002 was Germany's largest corporate collapse since World War II. This latest development will not improve Deutsche Bank's image as it struggles with multiple investigations into wrong-doing in Europe, the U.S., and Japan. Deutsche recently agreed to pay €6.5 million in damages over accounting irregularities at its U.S. subsidiary Deutsche Bank Securities and reached agreement with Italy's Monte dei Paschi bank over derivative losses.) (ConGen Frankfurt: Kinka Gerke-Unger) (EFIN) ([TOP](#)))

(U) Moody's Downgrades Bremer State Bank, Lowers Outlook for Deutsche Bank: Moody's downgraded Bremer State Bank by two notches to Baa2 over balance sheet concerns; Bremer's balance sheet has a credit volume of €22.8 billion, including €6.8 billion in shipping loans, which pushes the bank's core capital ratio below 8%. The decision to lower the outlook for Deutsche Bank was due to expected risks that the bank will face in the coming year. (COMMENT: The lower outlook for Deutsche makes it more likely that the bank will lose its long-term ratings of A2 and baa2.) (ConGen Frankfurt: Kinka Gerke-Unger) (EFIN) ([TOP](#)))

(U) Real Wages Decrease in 3rd Quarter: After three years of continuous increases, real wages decreased in the third quarter 2013 in comparison to the previous year by 0.3%, the Federal Statistical Office reported on December 19. Consumer prices increased by 1.6% but nominal wages by only 1.3%, despite the positive employment situation and various agreements to raise wages during the last collective bargaining round. Experts believe that this development is due to the lower number of additional pay benefits in the service and public sector, particularly in the insurance and banking sector, and detect a widening wage gap between the industries. Whereas the real wages developed positively in the manufacturing industry (increase of 0.7%),

workers in the service industry earned 0.6% less than a year before. A full-time employee in Germany earns, without additional pay, on average €3,462 a month before taxes. (Silvia Beyer) (ELAB, ECON) ([TOP](#))

(SBU) Controversial Salafist Preacher Pierre Vogel Plans to Speak in Pforzheim: German-born Salafist preacher Pierre Vogel has applied for permission to hold a rally in Pforzheim, Baden-Württemberg, on January 18. The event is reportedly aimed at recruiting supporters for the Salafist movement. (COMMENT: Vogel, a convert to Islam, is a controversial Salafist preacher and activist who has led rallies across Germany. These include fundraisers ostensibly for humanitarian aid to Syria, though some Post contacts believe that the money has instead supported foreign fighter travel. The city of Frankfurt originally denied Vogel's request to hold a rally in September 2013. Vogel appealed the decision and a court ruled in his favor; though he had greater ambitions, only a few hundred supporters participated in the rally.) (Gabriele Pohlenz-Daniel, ConGen Frankfurt) (PTER, KISL, KIRF) ([TOP](#))

(U) Suspected Somalian Pirate Indicted for 2010 Taking of German Tanker: On December 20, the Public Prosecutor's Office of Osnabrück (Lower Saxony) brought charges against a suspected Somalian pirate, who allegedly had a leading role in the takeover of the German chemical tanker *Marida Marguerite* in 2010. The defendant, along with other pirates, is also accused of having mistreated the crew during their eight months of captivity. The suspect was detained in May 2013 in Gießen (Hesse), when he tried to apply for asylum in Germany with false papers. Since the release of the *Marida Marguerite*, the Criminal Investigation Department of Lower Saxony has made the case a priority: Somalian pirates in the United States were interrogated on the case and former hostages were flown into Germany from India as witnesses. (NOTE: The eight-month abduction of the "Marida Marguerite" was the longest in German naval history. The ship—owned by Lower Saxony-based OMCI, which has since changed its name—and the 22-member crew were only released after the payment of €4.2 million in ransom money.) (ConGen Hamburg, Natalie Schnelle) (PHSA, KPIR, PINS, PTER) ([TOP](#))

(U) E.ON Takes Action to Stabilize Energy Market: In an attempt to cope with falling wholesale electricity prices caused by overcapacity and competition from renewable energy providers, NRW-based E.ON has announced that it will close three coal-fired power plants in NRW. In addition, *Der Spiegel* has published an unconfirmed report that the company is planning to sell its asset stakes in energy production facilities in Italy and Spain. (ConGen Düsseldorf, Mechthild Hölker) (EINV, EMIN, ENRG) ([TOP](#))

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(U) End of Strikes at Amazon, But Conflict Continues: After six days of continuous strikes at Amazon's logistical centers in Bad Hersfeld (Hesse) and Leipzig (Saxony), the service labor union Ver.di announced that it would end the walkouts for the time being. According to Ver.di, however, the union is going to continue and even expand their actions against Amazon in the coming year to force the company to enter into negotiations on higher wages and working

conditions for its 9000 employees. Amazon stated that the strikes have not caused any delays in deliveries in the traditional busy Christmas season and continues to reject all of Ver.di's demands. (Silvia Beyer) (ECON, ELAB) ([TOP](#))

(U) Labor Minister Wants to Increase "Ghetto Pensions": According to press articles, Labor Minister Andrea Nahles (SPD) wants to increase the pensions for certain Jewish Nazi victims who worked in ghettos for "remuneration" during World War II. In an interview on December 21 she said that her "biggest wish as new labor minister" is to achieve as quickly as possible a satisfying solution regarding pension payments for these Holocaust survivors. (COMMENT: Now holding a decisive key position in the government on this issue, Nahles is taking up the debate on "ghetto pensions" again after the failure of a parliamentary initiative earlier this year. On March 21, the then-governing coalition of CDU/CSU-FDP rejected the opposition's call for an amendment to the law that would allow for retroactive payments as of 1997, or optional lump sum payments for roughly 22,000 individuals who worked in the ghettos. (Silvia Beyer) (ECON, ELAB, POL) ([TOP](#)))

(U) Wikileaks Supporter and Snowden Associate Applebaum Claims Berlin Apartment Broken Into as "Intimidation": American Internet privacy and Wikileaks activist Jacob Applebaum, who is also a close associate of Laura Poitras and Edward Snowden, claimed in a December 21 interview with newspaper *Berliner Zeitung* that his apartment in Berlin has been broken into and his computers tampered with. Applebaum listed other instances that he deemed to be examples of surveillance directed against him, and implied that U.S. agencies were responsible as part of "intimidation tactics" against him. Additionally, he criticized the new German government coalition's pledge to implement the EU Data Retention Directive, saying it would "only lead to more data for the NSA." (Brad Evans) (PINR, KCRM, KCYB) ([TOP](#))

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